

General Ledger Account Coding

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I. Problem Statement

The SRM (Supplier-Relationship Management) system is used by SC Department of Motor Vehicles (DMV) personnel to requisition most purchases of services and materials for DMV purposes. General ledger account codes are first assigned by the shopping cart preparer. Administrative departments such as procurement, payables and budget regularly correct general ledger codes during the purchasing cycle to ensure proper reporting. DMV goals are consistent with accurate reporting of expenditures by general ledger account code. Incorrect reporting would be contrary to DMV's vision of promoting effective and efficient business processes.¹

Journal entries increased from 34 to 66 in FY2014 and FY2015²; with a notable amount correcting the general ledger code. This project examines the assignment or correction of general ledger account codes for DMV's planned purchases for the purpose of process improvement.

II. Data Collection

DMV purchasing policy and position descriptions were reviewed to determine responsibilities assigned. SCEIS (South Carolina Enterprise Information System) SRM workflows were reviewed in the evaluation of the planned purchases process. Interviews with DMV personnel were conducted to determine procedures and comments were considered during the process evaluation. Corrections of expenditure codes noted for FY2015 and again in FY2016 through January 15th, 2016 were reviewed for potential causes and results of process improvement efforts. General ledger (G/L) code corrections can be accomplished by journal entry after payment of the invoice or by correction of the purchase order before payment of the invoice. Corrections of general ledger account codes prior to the payment of an invoice are made by procurement personnel at the request of Budget or Payables personnel. Data collected was reviewed to

determine process improvements, if any, in the assignment of G/L codes for purchases of goods and services at DMV.

III. Data Analysis

1. Processes and Position Descriptions

Positions descriptions for procurement personnel require staff to process shopping carts, issue purchase orders and emphasizes assistance to agency departments with their procurement needs, but contain no reference to expenditure coding of any kind.

Payables position descriptions include audit responsibilities for connecting invoices with purchase orders, ensuring adequate funding during the processing of the payments. Payables personnel seek assistance from Budget if questioning a general ledger code, and if needed, the Procurement office changes the purchase order general ledger code.

The budget analysts' position description includes providing procurement personnel accounting information to ensure accurate processing of shopping carts and preparation of purchase orders (POs). The budget analyst also provides Payables the correct account assignment as requested. The Budget Analyst completes necessary journal entries, including corrections of general ledger accounts or other expenditure funding information. According to the Budget Analyst Position Description, 45% of the Budget Analysts' job functions relate to the monitoring, review and correction of expenditures for budgetary purposes and assistance determining proper account code information including expenditure funding as well as general ledger code.

Cathy Lucas, SCDMV Procurement Director stated that the SRM system assigns a general ledger account automatically using the NIGP code chosen or the shopping cart preparer may input

the general ledger account into the Account Assignment tab in SRM using the NIGP (National Institute of Government Purchasing) to G/L spreadsheet³. Once a purchase order is created, only Procurement can change the account coding information on the Account Assignment tab in SRM. Although Procurement personnel do not review, they do make requested changes prior to payment of the invoice.

The assignment of general ledger codes within the purchasing process at DMV is decentralized to 250 shopping cart users⁴ currently authorized to prepare or approve shopping carts. Procurement does not review the Account Assignment tab in SRM, which includes the general ledger account, but does change purchase order G/L codes as requested by either Payables or Budget. Payables matches purchase orders with invoices and requests changes to general ledger code as needed. Finally, Budget monitors expenditures monthly; preparing journal entry corrections for any expenditure classification or coding errors after payment of invoice has been paid. Although Budget does review purchase orders monthly, requests for purchase order preparation often comes after an invoice is received and often that payment is processed before the monthly review by Budget.

2. Journal Entry Review

Journal Entries have a document type FI/SU (Finance Module/Adjustment Document) in SCEIS. Document type FI/SU was pulled for FY2015 (July 1, 2014 through June 30, 2015) and all were analyzed. In FY15, sixty-six (66) total journal entries were made.

Of the 66 journal entries, 30% (or 20) were general ledger code corrections (processed by Budget). Notably, 16 of the 20 coding errors were generated by Division Administrative personnel that either entered the shopping cart information into SRM or provided the coding information for

direct payments. The direct pay coding errors (3 in total) were for Bank of America (BOA) procurement card transactions. BOA is a direct pay, which means it is paid without purchase order. General ledger account codes are determined by Division Administrative personnel and sent to procurement where a spreadsheet is prepared for Payables to use during BOA payment processing. Procurement does review purchases for compliance to the Procurement Code but does not review general ledger codes.

Information Technology (IT) expenditures had the most general ledger corrections, totaling six. Of these six, five corrections were made to payments processed with a purchase order (PO) and one correction was made on a direct payment. The IT Administrative person uses the NIGP to G/L spreadsheet or NIGP book to determine codes to input into SRM. Interviews with Procurement and Division Administrative personnel definitely identified the NIGP to G/L spreadsheet as a cause for general ledger coding errors. Information Technology purchases can be complicated and goods and services terms, i.e. the lingo, is sometimes hard to decipher. A review of the NIGP to G/L spreadsheet verifies the possibility of coding errors as services are not easily distinguishable from goods.

For example Application Software or Computer Training can be either a supply or service G/L code:

NIGP Mapping to G/L Account			
NIGP Code	Description	General Ledger Code & Name	
20913	Application Software, Minicomputer	5030060000	DATA PROCESS SUPPLIES
92014	Applications Software (For Minicomputer Systems)	5020070000	DATA PROCESS SERVICES-OTHER
20866	Professional: Computer Training, Hospital/Pharmacy, Legal, etc.	5030060000	DATA PROCESS SUPPLIES
92091	Training, Computer Based (Software Supported)	5020070000	DATA PROCESS SERVICES-OTHER

Lastly, two (2) of the general ledger coding corrections were for Field office expenditures (both for payments with purchase orders) and shopping carts were prepared by field office managers. Both of these appear to be NIGP to G/L code errors. In those cases, instead of Office Supplies, Building Supplies and Factory Supplies were used on the purchase order and payments.

The remaining four (4) corrections are a result of keying errors during processing of direct payments and incorrect expenditure classification on a Funds Reservation set up by Budget. Errors of this nature will not be addressed any further.

3. Potential Solutions

Based on this analysis, the majority of general ledger corrections could be avoided by ensuring the purchase order has the correct G/L code upfront. Procurement will not review account information so routing all shopping carts through Budget before purchase order processing is an alternative which could improve G/L coding. However, this solution could add approximately fifty-five (55) additional days of staff time each year to Budget, based on Procurement's handling time of 20 minutes per cart times the number of purchase orders issued in FY15 of 1,235. Additionally, total processing time from shopping cart to purchase orders would increase by at least one day and reasonably three additional days for the review time granted Budget department. Thus this solution was deemed not reasonable due to the increased processing time, nor feasible with current assignments and staffing levels.

The cheapest and easiest solution was to give shopping cart preparers and approvers the education, training and tools to select an appropriate general ledger account while Budget and Payables continue to review for incorrect general ledger accounts codes.

IV. Implementation Plan

The simplest and most feasible solution was communication and training for the Division Administrative personnel and the shopping cart users and approvers. If these staff reviewed the general ledger code before forwarding the shopping cart to procurement, most of these corrections should be eliminated. Both of these steps needed to happen as soon as possible for the number of corrections to be reduced. Upon discussion with the Director of Finance and Director of Administration, Budget sent an email to the Divisional Administrative personnel within DMV for dissemination as needed general guidance for distinguishing between a service general ledger code and a supply G/L code and other categories of expenditures. Reviewing the first three numbers of the G/L code in SRM will let the shopping cart user know if the selection is at least in the correct category of expenditure.

The email text included:

Basic Coding guidance:	
Expense Category:	G/L Begins With:
Contractual Expenses	502
Supply	503
Fixed Charge (copier rent)	504
Travel Expense	505
Asset (big dollar value)	506
Capital Project Expenses	507
Taxes	509
Utilities	515
Low Value Assets <\$5K	520
Petty cash	523

Also included was a SCEIS Expenditures Account Listing⁵ as well as the NIGP to G/L Mapping spreadsheet.

Budget also disseminated the Division operating budgets to the administrative personnel for each division so the shopping cart preparers would have general ledger codes for expected expenditures, and also closely reviewed purchase orders at the beginning of the 2016 fiscal year for G/L code errors.

SRM training for Shopping Cart Preparers⁶ was requested by Procurement and was integrated into DMV's week long Leadership Training for Field Office Managers. Additionally, the training was given to Division Administrative personnel as well. A review of the training material shows the account assignment instructions as follows:

9. In the **Account Assignment** tab, select **Details** to enter the account information.

Details for item 1 PAPER,BOND,COPIER,8.5X11,WHITE,10,RM/CV

Item Data **Account Assignment** Notes and Attachments Delivery Address/Performance Location Sources

You can see who bears the costs and, if necessary, you can distribute the cost to several cost centres

Cost Distribution Percentage **Details** Add Line Copy Paste Duplicate Delete Split Distribution Change All Items

Number	Accounting Line Number	Percentage	Account Assignment Category	Assign Number
0001		100.00	Cost Center	

10. Enter the **Cost Center**, **Fund**, and **Functional Area** numbers. Select **Check** in the top left corner to save the account numbers.

The training certainly aides the Field Office Managers to prepare a shopping cart in SRM, but did not address the general ledger code at all.

Field Office Managers, selected for the leadership training, attended class on August 3, 2015. The same training was presented to Division Administrative personnel on November 3, 2015. Of the 250 SRM users, the training has been presented to 24, however, the training is scheduled to resume after DMV's peak season ending in April. As of yet, the date is unknown.

The SRM instructions covered in the Shopping Cart Training have been integrated into Field Office and Headquarters Training Manuals.

V. Evaluation Method

In total, 14 journal entries have been made in FY2016 through January 15, 2016; whereas in FY2015 twenty-one (ten with general ledger account corrections) had been made by the 15th of January. All FY2016 journal entries have been reviewed and only three general ledger code corrections were noted. This represents a huge decrease in the number of corrections necessary and indicates that communications and training provided have successfully reduced the incidence of G/L errors noted. Journal entries for the entire year will be reviewed again at year-end to verify the solution has continued to curtail the instances of incorrect G/L codes for expenditures.

VI. Summary and Recommendations

Communication between Division Administrative personnel and Budget was key to a quick resolution to this problem. Although the SRM training presented to shopping cart users does not specifically address selection of a G/L code, it should continue to be rolled out as incidence of G/L errors decreased significantly and attendees found it helpful. One last suggestion is to take the NIGP to G/L Mapping and prepare a modified version isolating DMV's most used G/L's with appropriate NIGP codes. This would remove a lot of variance between NIGP's selected and could make shopping cart preparation easier. Dissemination to shopping cart preparers as well as to the approvers is suggested.

End Notes

1. SCDMVWebSiteVisionStatement,
http://www.scdmvonline.com/DMVNew/default.aspx?n=about_scdmv
2. SCEIS BEX report; FMDOCLIST
3. NIGP to G/L Mapping,
http://sceis.sc.gov/documents/SCEIS_NIGP_to_GL_Mapping_Spreadsheet.xls
4. SCEIS SRM Roles at SCDMV inquiry
5. SCEISExpendituresAccountListing,
http://www.cg.sc.gov/guidanceandformsforstateagencies/Documents/CGsAPP/12-31-15/ExpenditureGeneralLedgerAccountsDefinitions_12-31-15.pdf
6. SCEIS Shopping Cart Training Manual, TCM, SCDMV